



Canada: Oil & Gas Industry

Calgary-based EnCana announces multi-billion dollar oilsands project

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Summary

EnCana has announced plans to build a new \$US 2.2 billion in situ oilsands facility at Narrows Lake in northeastern Alberta. When completed, the Narrows Lake project will produce 120,000 barrels of oil per day and be the first commercial scale facility to use steam assisted gravity drainage (SAGD), which reduces greenhouse gases and increases bitumen extraction. Narrows Lake is the first major project announcement in Alberta's oilsands in close to a year and may indicate the start of more oilsands project announcements to come. U.S. companies will have opportunities to bid on contracts as EnCana looks for construction, consulting, technology, equipment and other services for the new facility.

Market Demand

After a year of project cancellation and postponement announcements in Alberta's oilsands, Calgary-based EnCana Corporation has announced plans for a multi-billion dollar project at Narrows Lake in northeastern Alberta. The planned 80,000 to 120,000 barrels-per-day in situ oilsands facility will cost approximately \$US 2.2 billion and will be developed in two or three phases each of which will add 40,000 barrels-per-day of production. EnCana plans to file for regulatory approval for the facility in mid-2010. EnCana will announce an expected start date for the development of the project once regulatory approval is received.

Market Data

The Narrows Lake project is the first major oilsands development announced in close to a year, and it will be a technological first in oil extraction. The new facility will use steam assisted gravity drainage or SAGD. SAGD is a process commonly used to extract in situ bitumen in combination with solvents, like butane, to help pump the bitumen to the surface. The use of solvents will require less steam, which will reduce greenhouse gas emissions while increasing the amount of bitumen that can be extracted. While other companies such as Nexen Inc. and Imperial Oil have experimented with the technology, EnCana's Narrows Lake facility will be the first commercial scale operation to use solvent assisted SAGD.



EnCana's Christina Lake oilsands project. The new Narrows Lake project will be taken out of the current Christina Lake property.

Retrieved October 9, 2009 from <http://www.canadian-wellsite.com/images/Photo%20Gallery/LR/Akita28%20EnCana%20Christina%20Lake.JPG>

Narrows Lake will be developed and operated by Cenovus Energy Inc., a new company formed when EnCana spun off its Integrated Oil Division. The split took place following approval from shareholders in a November 25 vote. Cenovus is responsible for EnCana's former oil portfolio leaving EnCana (GasCo) to focus on developing purely natural gas assets.

Best Prospects

The development of the \$US 2.2 billion Narrows Lake project will open numerous opportunities for U.S. companies to bid on contracts providing construction, consulting, technology expertise, equipment and other services to the new facility.

In the future, EnCana has plans to expand its two current bitumen producing projects at Foster Creek and Christina Lake. EnCana's vice-president of upstream operations, Harbir Chhina, said in a conference

call that the company plans to initiate the expansion of an existing project or the development of a new project every one or two years.

Finally, this major project announcement may indicate a turning point for oilsands development moving in to the future. After a rapid slow down of development brought on by the recession and a drop in oil prices, there may be more project announcements from major oilsands players in the near future. Nexen Inc.'s CEO, Marvin Romanow, announced on October 8, 2009 that he believes the Alberta oilsands will triple current production, although the timeline for future development announcements is unclear.

Market Issues & Obstacles

EnCana's business plan follows a low cost production format meaning cost will be a major factor in the competition for contracts at Narrows Lake. While Narrows Lake will be developed as a standalone project, with slightly higher capital costs, EnCana hopes to offset some of this additional cost through its internal fabrication yard in Edmonton.

Upcoming Trade Events

Global Petroleum Show & Conference

Calgary, Alberta, Canada

June 8-10, 2010

Website: <http://www.buyusa.gov/canada/en/gps2010.html>

Oilsands Trade Show & Conference

Edmonton, Alberta, Canada

September 21-22, 2010

Website: <http://www.oilsandstradeshows.com/>

Resources & Contacts

Healing, D. (2009, October 2). EnCana drafts oilsands project. *Calgary Herald*, pp. E1, E5

Healing, D. (2009, October 9) Nexen says oilsands to triple production. *Calgary Herald*, pp. D3

Tait, C. (2009, October 2) Encana to launch new oil sands project. *Financial Post*. Retrieved from <http://www.financialpost.com/news-sectors/story.html?id=2057013>

EnCana media centre - <http://www.encana.com/media/newsreleases/>

For More Information

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